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SUBJECT: WHAT TO EXPECT: HOW WILL PRESIDENT LEE CHANGE
KOREA? (PART 1)

Classified By: A/POL Brian D. McFeeters. Reasons 1.4 (b,d).

¶1. (C) Summary: The Korean people have sky-high expectations for President-elect Lee Myung-bak. He will take office as the seventeenth president of Korea on February 25 and carries with him a long to-do list for his government and for the country. For insight on what Lee's administration will look like and to gain some perspective on his various plans and promises, we asked 20 leading political scientists, political analysts, and politicians from both sides of the ideological divide what they expected from President Lee, short and long term. The first of two cables looks at the current situation and some pressing issues that will affect his tenure and attempt to forecast how Lee might deal with possible challenges. The second will look more specifically at some things we might expect Lee to be able to accomplish in the next five years and will list our contributors. The following are some of the conclusions the experts agreed upon.

-- There will be a change in style and substance from current President Roh Moo-hyun. The beneficiary of this will likely be the U.S.-ROK relationship. Lee should be more predictable since he will seek to achieve results rather than fulfill personal convictions.

-- Lee will start in a more advantageous political position than former Presidents Roh Moo-hyun or Kim Dae-jung as he will almost certainly control the National Assembly for much of his term. However, he still has important challenges ahead within his party and in dealing with inevitable opposition from civil society.

--The economy is clearly Lee's top priority and he will seek short term, symbolic gains and hope these will lead to sustained growth. His success hinges on whether he can fulfill the expectations people have for a better life. End Summary.

¶2. (SBU) All of our interlocutors agreed that President Lee will be very different from President Roh and most expect this will be a good thing for Korea, the U.S., and Korea's standing in the world. He will run the country more like a business, which could result in long-lasting changes for the bureaucracy. However, some caution that Lee's desire for change and the political capital he will have early in his term could lead to some unwise policy decisions.

¶3. (SBU) Expectations are especially high on the economic front so Lee must find a way to make people think they are better off, make them better off, or ideally, both. This is a difficult task despite his willingness to make big changes in how business is done in Korea. While he has repeatedly told us and explained publicly that he would improve the U.S.-ROK relationship, some experts note that Lee's first duty is to his economic and populist vision. Therefore, some interlocutors caution we should temper our expectations or at least understand that we will need to give Lee something tangible for each move he makes to bolster the relationship.

Political Trends and What They will Mean

¶4. (SBU) Lee Myung-bak won the 2007 presidential election by the largest margin in the history of open elections in Korea. The National Assembly election coming just 45 days after his inauguration is one more stroke of good fortune for Lee. All those we spoke with agreed that the Grand National Party (GNP) would win a majority of the seats in the Assembly, even if Park Geun-hye and her supporters left the party. Professors Kang Won-taek of Songshil University and Jaung Hoon of Chung-Ang University -- widely regarded as the top experts on domestic politics in Korea -- both agreed that the GNP would win big in the April 9 National Assembly election. Kang, a liberal scholar who heralded Roh's victory in 2002, said that with the likely GNP majority in the Assembly, combined with Lee Hoi-chang's right-wing (to-be-formed) party's seats, conservatives could account for a dominant majority in the National Assembly.

¶5. (SBU) Leading political analyst Park Song-min of MIN Consulting said that the biggest obstacle for former President Kim Dae-jung and current President Roh Moo-hyun was insufficient support in the National Assembly. Professor Kim Suk-woo of the University of Seoul went one step further and said that the biggest problem for Kim and Roh was that the GNP never fully accepted Kim and Roh as president. (Note: Our GNP contacts frequently urged us to ignore agreements the Roh government signed, saying they were not made by a legitimate ruler. End Note.) Most agreed that Lee will not have this problem since his overwhelming victory December 19 along with his expected victory April 9 should give him a strong mandate to govern.

¶6. (SBU) Despite this large political advantage that Roh and Kim did not enjoy, Lee will have to be politically shrewd to make the most of it. If he fails to manage relations within his own party or with the Assembly, governing could be difficult despite his party's probable majority. Jaung, a renowned conservative scholar who predicted a landslide earlier than any other Embassy contact, said that a Korean president's honeymoon period historically lasted 18 months so Lee, based on this and the likely April GNP victory, should have a results-filled 2008 and 2009. However, Jaung remained unsure that these results would necessarily lead to sustained popularity because of people's high expectations.

Foreign Policy Changes

¶7. (SBU) All the experts agreed that Lee would take a radically different foreign policy approach, placing a high priority on improving the U.S.-ROK and ROK-Japan relationships. Park Song-min suggested Lee might solidify relations with the U.S. and Japan, cooperate better with China, and implement more concrete North Korea policies. Park explained that former Presidents Kim and Roh tended to pursue foreign policies by persuading a skeptical public or even by going against public opinion. Instead, Lee has put forth policies that are likely to receive strong public and even media support. Korea University Professor Kim Sung-han, a key Lee advisor who is said to be the "brain" behind many of Lee's foreign policy pledges, told poloff that in addition

to improving the ROK-U.S. relationship, the Lee administration would carry out foreign policy differently. While the National Intelligence Service (NIS) and Ministry of Unification (MOU) led foreign policy under Roh, under Lee, the foreign ministry would take the lead on all foreign policy matters. This would make the ROK foreign policy more understandable and build trust with allies, Kim said.

STYLE DIFFERENCE

¶8. (SBU) Han Gui-young, from leading political polling company KSOI, said that while Roh made decisions based on his convictions, Lee did so based on results. Therefore Lee would likely focus on making visible changes such as reform of governmental agencies and privatization of public companies, banks, etc. Skeptics said this focus on results with "no soul" could lead to mistakes, but most agreed that the Korean people wanted to see the country run more professionally with more emphasis on what gains Korea could achieve from any particular policy choice.

¶9. (SBU) Han told poloff that, because of Lee's need to show results to maintain support, the best strategy for Lee would be to move forward with the canal project later in his term so he could create jobs at a time when his support might begin to lag. Most experts agreed it would likely be difficult to produce the type of economic results he has promised due to possible outside shocks and the overall advanced nature of the Korean economy. (Note: Lee's team is forecasting real economic growth of 6 percent in 2008, up from the 4.8 percent growth estimated in 2007. End Note.)

¶10. (SBU) While morality was a key issue that helped Roh Moo-hyun win in 2002, few expect Lee's administration will be scandal-free. Currently there is a special prosecutor

investigating Lee for his involvement with the BBK stock manipulation scandal. This will likely not lead to any conviction or in fact any problems for the president-elect, but it could be indicative of what his term could be like. Professor Lim Song-hak of University of Seoul said that people's low expectations about Lee's morality could insulate him from the usual disillusionment that has periodically emerged when a president is implicated in various scandals. (Note: Kim Young-sam and Kim Dae-jung were plagued by scandals involving their sons. Roh's government, while cleaner than his predecessors, was not free from scandal in 2007 as key aides were implicated in bribery scandals. End Note)

¶11. (SBU) Lee might not be affected by scandal, but several of our contacts noted that, while they were certain that he would be seen as a successful economic leader, they were less sure of what kind of political legacy he would leave. While Roh ultimately will be recognized for his efforts to eradicate corruption, cut illegal political funds, and decrease the power of the presidency, Lee might focus more on recovering power in the Blue House. Several experts thought this emphasis might be useful for Lee to accomplish his key goals, but might leave a less positive political legacy.

THE ECONOMY

¶12. (SBU) Most agreed that Lee would attempt to revive the economy and change the way business was done as his first priority. Professor Kang said that Lee would focus on the economy, as people's assessment of him will be largely based on the economy. Lee adviser Lee Jae-yel said that Lee's first year would be critical since if Lee did not produce tangible results to improve the economy, his current overwhelming support could diminish. Park Song-min and Han Gui-young both emphasized that, if Lee was too results-focused and attempted to obtain outlandish gains in the economy and in changing the country (e.g., forcing the

grand canal project to completion), the Korean people could withdraw their support. Others noted that the Korean people liked change and had elected Roh on a platform of change, but that Roh's key pledges, such as the move of the capital, faced criticism and were blocked.

¶13. (SBU) Professor Lee Sook-jong of Sungkyunkwan agreed with the other experts that high expectations could lead to a possible dampening of support if these expectations were not met, especially in the economic realm. That said, if President Lee safely navigated his first year in office, his entire term would likely be a success. Korean Employers Federation Senior Managing Director Lee Dong-eung agreed and was very positive in his assessment of the president-elect. He said that Lee would likely develop market-friendly policies and could make Korea a business-friendly country. If he did this and created jobs, his term would truly be a success.

¶14. (SBU) Because of pressure to produce results, most experts agreed the cross-country grand canal project could be pushed through in order to create jobs, stimulate the economy and make a visible change to the country. One of Lee's leading strategists, lawmaker Choung Byoung-gug, told poloff that the canal would be built and there would be little public resistance. Since so many would benefit from a related real estate and development boom, opposition would be limited, he argued. Lee's closest advisors liken the canal to the Cheonggye Stream restoration project in central Seoul which most believed could not succeed. Also Lee frequently refers in speeches to wanting to disprove those who claim he is like Don Quixote chasing windmills with the canal project. Choung's optimism is shared by those close to the president-elect, but many impartial observers expressed doubt the canal could be built.

CHALLENGES AHEAD

¶15. (SBU) The first challenge to the Lee administration, according to all the experts we talked to, would be to deal with interparty divisions. If Lee succeeded in keeping Park Geun-hye and her supporters in the GNP and supportive of his political agenda, a huge victory would be possible on April 9 and he would be able to carry through many of his campaign promises. Professor Jaung also noted that in addition to working out conflicts within the party, it was important he developed better relations between the Blue House and the National Assembly.

¶16. (SBU) Jaung said Lee could face resistance from liberal groups and NGOs. Lee's challenge will be to co-opt and convince his detractors rather than give in to the temptation to use executive branch "muscle" to address resistance. Professor Lim said that in 2004, when the Uri Party won a majority in the Assembly, many predicted Roh and the Uri legislators would run rampant with reform, but they were subsequently beaten in all successive by-elections and local elections and failed to carry out their major agenda item to move the capital out of Seoul. It is possible that the GNP could face the same fate as people may try to contain Lee and the GNP's power in 2009 and beyond in by-elections and local elections.

¶17. (SBU) Predictably, advisors to the losing United New Democratic Party (UNDP) Candidate Chung Dong-young were less rosy in their predictions about Lee's tenure. Chung foreign policy adviser Beckhee Cho said that Lee might turn out to make more mistakes in controlling his speech than Roh did. She noted that Lee was known for such gaffes in his time as Mayor. Cho cautioned that Roh also started his term with lofty expectations and ended his term as one of the most unpopular presidents ever. UNDP Lawmaker Choi Jae-cheon's chief of staff Kim Ki-bong said that he was concerned that there would be collusion between government, the powerful media companies, and business groups that could lead to

abuses of power. Therefore, while Lee would certainly be lauded for his economic plans, his historical evaluation might ultimately lag behind Roh's.

¶18. (SBU) Several commentators noted that there will almost certainly be large-scale labor rallies in late March and into April, and how Lee reacts to these rallies could be the first big test of his tenure. The opposition UNDP will likely encourage large-scale rallies, while Lee and his aides have pledged they would not stand for illegal or violent rallies. Most expect Lee will crack down on these rallies. It is unclear how Koreans would react to such action.

NEW POLITICAL LOYALTIES

¶19. (SBU) Jaung said that young voters supported Lee in record numbers, but they could easily change their support because they did not support Lee with the same loyalty previous generations showed their leaders. The "children of democracy," those who grew up after democratization, could be swayed by short-term issues and not influenced by regionalism or ideology. This generation would not likely turn out to vote but could be politically active via the internet. Also, Lee does not have a strong regional base so again, loyalty to him, while strong now, could evaporate if there was a regionally-strong competitor (such as a party led by Park Geun-hye).

BASIC INSTINCT

¶20. (SBU) Kwon Sean-il, Vice Speaker Lee Sang-deuk's chief of staff, told poloff that he hoped the GNP would win only a slim majority in the April elections because, if Lee won 200 seats, his basic instinct "to bulldoze" could take over. Currently, that drive was held in check by senior advisors like the president-elect's elder brother Lee Sang-deuk as well as the political need to compromise with Park Geun-hye. Lee advisors explained that the support was higher for Lee than for the GNP so they hoped to place many of Lee's people in the Assembly. Again, this could lead to a temptation to fall into a winner-take-all mentality and cause Lee to make

drastic policy decisions, simply because he can.

COMMENT

¶21. (C) Many contacts told us that while Lee was elected mainly on his pledge to revive the economy and knows he must deliver on this pledge, a modern economy could not easily increase its growth rates to the 7 percent per year level that Lee had pledged. Therefore, Lee might look for success in diplomacy -- especially in U.S.-ROK and North-South relations. All those we talked to expected there would be tangible moves made to improve the U.S.-ROK relationship. Our challenge is to understand what we can get from Lee and what a results-oriented president needs in return.

¶22. (C) The key is to understand that President Lee makes all his decisions based on his core economic recovery plan. One aide likened this to the "stem" and all decisions -- on diplomacy, education, etc. -- could be seen as "branches" from this stem. This core idea should be kept in mind as we prioritize our policies and present them to the Lee Administration.

¶23. (C) While there is much optimism about improved U.S.-ROK relations and a better economic climate in Korea, some caution that Lee is at heart a populist. With a huge success in the April elections, some say Lee could lead the country toward "rightist populism" -- a conservative version of Hugo Chavez. While this is the extreme view, it is important to keep in mind that Lee has no particular core vision on

foreign policy. Fortunately, he has many experts surrounding him who continually emphasize the central nature of the relationship with the U.S. However, it is less clear who he will listen to and what bargains he will make in times of crisis.

¶24. (C) Lee and his advisors hope to change Korea - its politics, its economy, and even its geography. First he must confront political challenges within his own party and learn to deal with the National Assembly, civil society and a public yearning for quick success. Overall, the experts we talked to believe Lee will be able to carry out many of his campaign pledges to "upgrade" Korea's economy, politics, and foreign relations.
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